

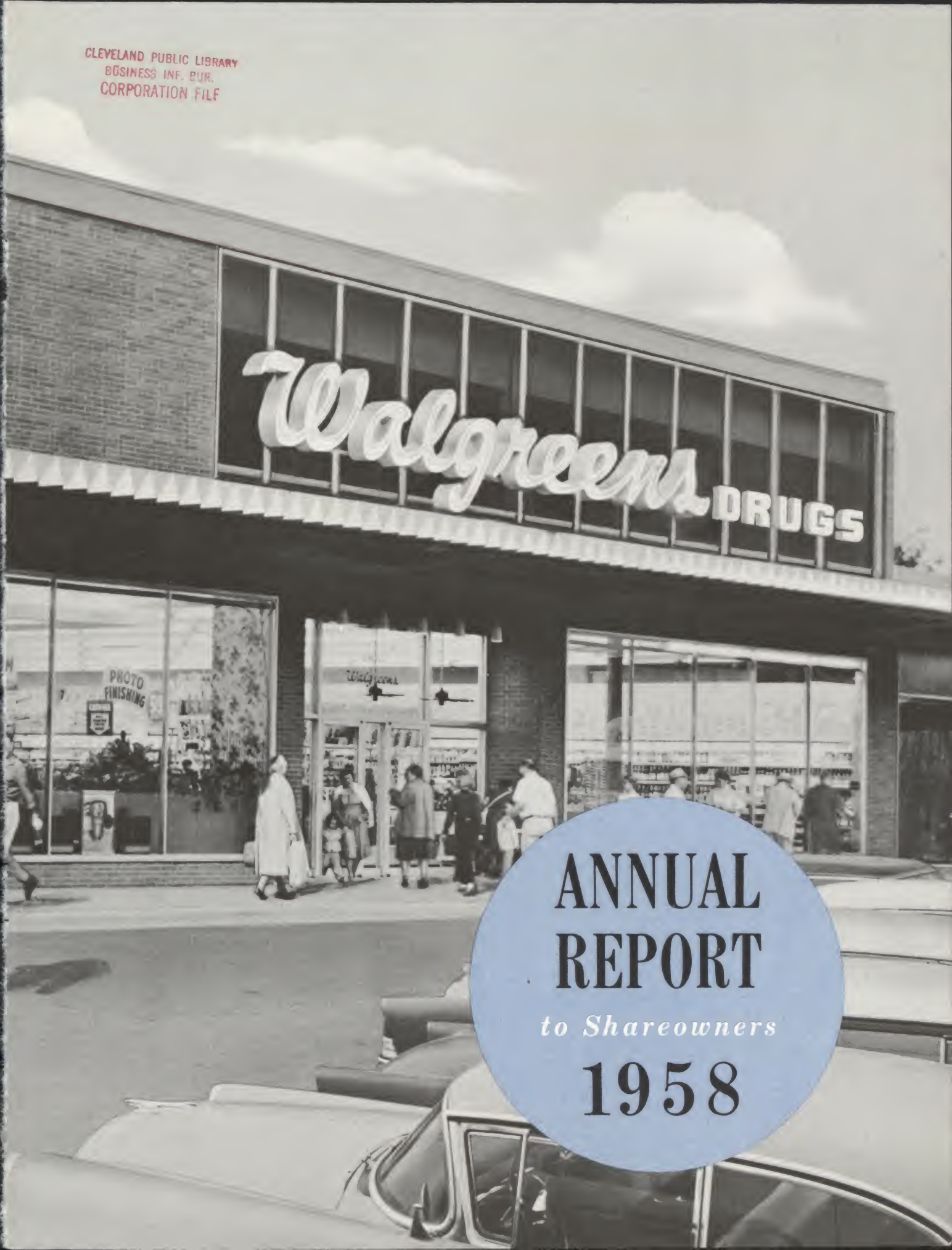
CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

Walgreens DRUGS

ANNUAL
REPORT

to Shareowners

1958



Walgreen Co.



DIRECTORS

A. A. BORG	EDWARD P. LESLIE
SANFORD J. BOWYER	BERT O. PINCH
C. R. CAMPBELL	R. G. SCHMITT
ROBERT G. KNIGHT	A. L. STARSHAK

C. R. WALGREEN, JR.

OFFICERS

C. R. WALGREEN, JR. *President*
H. W. BECKER *General Auditor*
A. A. BORG *Vice President*
SANFORD J. BOWYER *Vice President*
C. R. CAMPBELL *Vice President*
O. G. GILE *Assistant Secretary*
ROBERT G. KNIGHT *Vice President and Treasurer*
C. E. LA FRAMENTA *Vice President*
EDWARD P. LESLIE *Vice President*
W. W. LOW *Assistant Treasurer*
W. H. REESE *Assistant Secretary*
R. G. SCHMITT *Vice President and Secretary*
A. L. STARSHAK *Vice President*
N. P. STARSHAK *Comptroller*

Public Accountants and Auditors ARTHUR ANDERSEN & Co.

Transfer Agents THE FIRST NATIONAL BANK OF CHICAGO
GUARANTY TRUST COMPANY OF NEW YORK

Registrars HARRIS TRUST AND SAVINGS BANK OF CHICAGO
THE FIRST NATIONAL CITY BANK OF NEW YORK

in 1958 . . .

EACH SHARE

(of 1,292,485 outstanding)

- had **SALES** of \$201.08
- made a **PROFIT BEFORE TAXES** of 8.02
- paid **INCOME TAXES** of 3.91
- and earned a **NET PROFIT** of..... 4.11
- paid its owner in **CASH DIVIDENDS** 1.90
- re-invested to **EXPAND** and **IMPROVE** the business 2.21
- bringing its **BOOK VALUE** at September 30 to..... 29.12



The President's Annual Message

BOTH sales and earnings made new records in our fiscal year which ended September 30. The former rose by 10.5% while earnings, at \$4.11 a share, were 23.4% higher than last year's \$3.33. A relatively small number of openings, with a consequent lowering of the substantial costs of launching new stores, helped to push earnings upwards at a rate greater than that shown by sales. In the current 1959 fiscal year the number of new stores to be opened will be considerably greater and it is unlikely that earnings will rise at a rate greater than that shown by sales.

The subject of dividends is naturally associated with that of earnings, in the minds of many shareholders, and I think it may be desirable to indicate to you what our plans are at this time, even though well in advance of their being acted upon.

While our earnings are at an improved rate and showing a good trend, our plans call for sizable expenditures over the next few years in order to take advantage of what we believe are excellent opportunities. To do this we feel that the reinvestment of a major proportion of our earnings is necessary and that this precludes any significant increase in cash dividends.

Our Board of Directors has, therefore, concluded that it will be in the best interests of our Company to leave the regular quarterly cash dividend at 40¢ a share unchanged, and to supplement it, toward the end of our fiscal year, not by a cash extra but by a stock dividend sufficient to make the total of the two represent a fair proportion of the year's earnings. It is, therefore, our intention to initiate this new policy by declaring a stock dividend later in this fiscal year, probably in August. The rate presently envisioned is 3%, with all fractional shares to be paid in cash at a value set by the market price of the stock at the time.

During the fiscal year just closed we opened 17 stores. We closed 18 stores — some because we replaced them by larger and better units in the same area, others because their continued operations were no longer attractive. We ended the year with 406 stores of which 151 were self service.

We have made substantial progress in training management to meet the changing conditions and successfully apply new operating methods which we have developed. I wish to thank and commend all of the folks throughout all phases of our operations for their accomplishments.

Sincerely,

President

Chicago, November 21, 1958

Walgreen Co. and Subsidiary Companies

COMPARATIVE

ASSETS		September 30,	
	<u>1958</u>	<u>1957</u>	
CURRENT ASSETS:			
Cash	\$ 5,270,446	\$ 4,990,369	
Accounts receivable, less reserves	3,393,874	2,956,667	
Inventories of merchandise, priced at the lower of cost or market, less reserves	31,231,626	28,364,078	
TOTAL CURRENT ASSETS	<u>39,895,946</u>	<u>36,311,114</u>	
PREPAID RENT, INSURANCE, TAXES, ETC.	<u>1,029,474</u>	1,003,967	
INVESTMENTS IN AFFILIATED AND OTHER COMPANIES, at cost.....	<u>1,669,857</u>	1,670,856	
FIXED ASSETS, at cost:			
Land	68,000	68,000	
Buildings (on owned and leased land)	1,554,101	1,554,101	
Equipment	26,215,585	24,562,765	
	<u>27,837,686</u>	26,184,866	
Less—Reserves for depreciation	11,899,280	10,781,133	
TOTAL FIXED ASSETS	<u>15,938,406</u>	<u>15,403,733</u>	
GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal amount	<u>1</u>	<u>1</u>	
	<u>\$58,533,684</u>	<u>\$54,389,671</u>	

NOTE:

The shareholders have approved a stock option plan whereunder 60,000 authorized but unissued shares of common stock have been reserved for key employees, including officers. Such options would be exercisable beginning one year from the date of grant, over a period not exceeding five years (and in reduced amounts over

BALANCE SHEET

LIABILITIES

	September 30,	
	<u>1958</u>	<u>1957</u>
CURRENT LIABILITIES:		
Trade accounts payable	\$ 8,284,268	\$ 7,659,313
Accrued expenses and other liabilities.....	7,456,927	6,288,235
Federal and State income taxes.....	3,707,876	3,215,050
Notes payable	500,000	1,000,000
TOTAL CURRENT LIABILITIES	<u>19,949,071</u>	<u>18,162,598</u>
2½% NOTE, due August 15, 1960 (current maturity included above) . .	<u>950,000</u>	<u>1,450,000</u>
CAPITAL STOCK AND SURPLUS:		
Common stock, \$10 par value—		
Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares	12,924,850	12,924,850
Earned surplus, per accompanying statement.....	24,709,763	21,852,223
TOTAL CAPITAL STOCK AND SURPLUS.....	<u>37,634,613</u>	<u>34,777,073</u>
	<u>\$58,533,684</u>	<u>\$54,389,671</u>

the succeeding four years) at a price not less than 95% of the average closing price of the common stock on the New York Stock Exchange for the five days preceding such date. At September 30, 1958, 96 employees, including officers, held options granted December 11, 1957, to purchase 53,300 shares at \$27.00 per share.

Walgreen Co. and Subsidiary Companies

COMPARATIVE STATEMENT OF INCOME

For the Years Ended September 30, 1958 and 1957

	<u>1958</u>	<u>1957</u>
SALES AND OTHER INCOME:		
Net sales and other store income.....	\$259,898,209	\$235,111,325
Other income (net)	296,045	227,335
	<u>260,194,254</u>	<u>235,338,660</u>
COSTS AND DEDUCTIONS:		
Cost of sales and of selling, occupancy and administration, except depreciation	245,896,680	223,225,625
Depreciation of buildings and equipment.....	1,928,932	1,780,384
Provision for contribution to employees' retirement pension trust..	1,765,000	1,376,000
Improvements to leased properties.....	230,380	391,898
	<u>249,820,992</u>	<u>226,773,907</u>
INCOME BEFORE FEDERAL AND STATE INCOME TAXES.....	10,373,262	8,564,753
Provision for Federal and State income taxes.....	5,060,000	4,260,000
NET INCOME	<u>\$ 5,313,262</u>	<u>\$ 4,304,753</u>

COMPARATIVE STATEMENT OF EARNED SURPLUS

For the Years Ended September 30, 1958 and 1957

BALANCE BEGINNING OF YEAR	\$ 21,852,223	\$ 19,938,567
NET INCOME	5,313,262	4,304,753
	<u>27,165,485</u>	<u>24,243,320</u>
DEDUCT—Dividends paid \$1.90 per share in 1958 and \$1.85 per share in 1957	2,455,722	2,391,097
BALANCE END OF YEAR	<u>\$ 24,709,763</u>	<u>\$ 21,852,223</u>

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

WALGREEN CO.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1958, and the related statements of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and earned surplus present fairly the financial position of Walgreen Co. and Subsidiary Companies as of September 30, 1958, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,

November 13, 1958.

Target:

PROFITABLE

PROG





**17
NEW STORES
OPENED
in 1958**

**Some of
the Stores
IMPROVED
in 1958**

- Appleton, Wis., 210 W. College Ave.*
- Arlington Heights, Ill., Arlington Market*
- Atlanta, Ga., Broadview Plaza*
- Beaumont, Tex., Gateway Shopping City*
- Chicago, Ill., 4173 S. Archer Ave.*
- Chicago, Ill., 3223 Broadway*
- Chicago, Ill., 5228 N. Clark St.*
- Chicago, Ill., 95th & Jeffery*
- Chicago, Ill., 1130 N. State St.*
- Decatur, Ill., Fairview Plaza*
- Hayward, Cal., 481 Foothill Blvd.*
- Joliet, Ill., 159 N. Chicago St.*
- Minneapolis, Minn., Hi-Lake Shopping Center*
- Morton Grove, Ill., Golfview Plaza*
- San Mateo, Cal., Hillsdale Shopping Center*
- Skokie, Ill., Old Orchard (Prescription Pharmacy)*
- Tallahassee, Fla., Parkway Shopping Center*

- Chicago, Ill., Scottsdale Shopping Center*
- Des Moines, Ia., 324 W. 7th St.*
- Levittown, N.Y., Center Island Shopping Park*
- Milwaukee, Wis., 1600 W. Wisconsin Ave.*
- Skokie, Ill., Old Orchard Business District*
- Springfield, Mass., 1200 Main St.*

PROFITABLE



PROGRE

Prescriptions



Pharmacy Leadership



Our 75 millionth prescription, reached this year, dramatizes our continuing progress in the pharmacy field, the "most important single thing in our business". Prescription volume, increasing to successive new highs, has more than paralleled our overall progress. Significantly, these years of fast-climbing volume have also been our years of major transition to self-service stores, reflecting the growing success of their Prescription Departments. Today, as always, the proud motto of every Walgreen Drug Store is — "Dependable Prescription Service".

SS

With Professional Pride . . .

WE POINT TO OUR NEW PRESCRIPTION PHARMACIES

Pictured on this page are two of our six modern Prescription Pharmacies. Two are located in Phoenix, Arizona, four in the Chicago area.

These highly specialized shops concentrate on prescription service and related health and clinical needs.

This new expansion marks another step in the constant pharmacy progress that underscores our treasured reputation for leadership — "Walgreens, *first in Pharmacy, nation-wide*".





Store Directory

ALABAMA (1)

Mobile

ARIZONA (5)

Phoenix (4)
Tucson

ARKANSAS (3)

Fort Smith
Hot Springs
Little Rock

CALIFORNIA (11)

Hayward
Oakland
Palo Alto
Redwood City
Sacramento (2)
San Francisco (3)
San Mateo
Santa Monica

COLORADO (12)

Boulder
Colorado Springs
Denver (6)
Englewood
Fort Collins
Lakewood
Pueblo

CONNECTICUT (2)

Bridgeport
Hartford

FLORIDA (17)

Daytona Beach
Hialeah
Jacksonville (2)
Lakeland
Miami (4)
N. Miami Beach
Orlando
Panama City
Pensacola
St. Petersburg
Tallahassee
Tampa
West Palm Beach

GEORGIA (6)

Atlanta (3)
Augusta
Columbus
Savannah

ILLINOIS (135)

Arlington Heights
Aurora
Berwyn (2)
Bloomington
Blue Island
Centralia
Champaign
CHICAGO (81)
Chicago Heights
Cicero (2)
Danville
Decatur (2)
Des Plaines
Downers Grove
East St. Louis
Elgin
Eimhurst
Evanston
Evergreen Park
Galesburg
Glen Ellyn
Harvey
Highland Park (2)
Hinsdale
Joliet
Kankakee
La Grange
Lake Forest
Moline
Morton Grove
NorrIDGE
Oak Park (3)
Park Ridge (2)
Peoria (2)
Quincy
Rockford (2)
Rock Island
Skokie (3)
Springfield
Sterling
Waukegan (2)
Wheaton
Winnetka

INDIANA (14)

Anderson
East Chicago
Fort Wayne (3)
Gary (2)
Hammond (2)
Lafayette
Logansport
Michigan City
Muncie
South Bend

IOWA (5)

Clinton
Council Bluffs
Davenport (2)
Des Moines

KANSAS (2)

Topeka
Wichita

KENTUCKY (12)

Lexington
Louisville (7)
Newport
Owensboro
Paducah
Pleasure Ridge Park

LOUISIANA (16)

Alexandria
Baton Rouge (2)
Lake Charles
Metairie
Monroe
New Orleans (9)
Shreveport

MASSACHUSETTS (2)

Springfield
Worcester

MICHIGAN (7)

Battle Creek
Benton Harbor
Flint
Jackson
Kalamazoo
Lansing
Muskegon

MINNESOTA (14)

Duluth (2)
Edina
Minneapolis (7)
Richfield
St. Paul (2)
St. Louis Park

MISSISSIPPI (2)

Jackson
Vicksburg

MISSOURI (10)

Crestwood
Jennings
Richmond Heights
St. Louis (7)

NEBRASKA (3)

Lincoln
Omaha (2)

NEW JERSEY (1)

East Paterson

NEW MEXICO (1)

Albuquerque

NEW YORK (16)

Albany
De Witt
Hempstead
Levittown, L.I.
Massapequa Park
New Hyde Park
New York (6)
Niagara Falls
Syracuse
Valley Stream
Yonkers

N. CAROLINA (5)

Durham
Greensboro
Raleigh
Wilmington
Winston-Salem

OHIO (13)

Akron
Cincinnati (3)
Columbus (3)
East Cleveland
Lima
Springfield
Toledo (3)

OKLAHOMA (3)

Tulsa (3)

PENNSYLVANIA (1)

Altoona

S. CAROLINA (3)

Charleston
Columbia
Greenville

S. DAKOTA (2)

Aberdeen
Sioux Falls

TENNESSEE (16)

Knoxville
Madison
Memphis (10)

Nashville (2)
North Memphis
Oak Ridge

TEXAS (32)

Abilene
Amarillo
Beaumont (2)
Corpus Christi (2)
Dallas (6)
Galveston
Houston (11)
Lubbock
Pasadena
Port Arthur
San Antonio (2)
University Park
Waco
Wichita Falls

UTAH (4)

Price
Salt Lake City (3)

VIRGINIA (1)

The Pentagon

W. VIRGINIA (2)

Huntington
Wheeling

WISCONSIN (25)

Appleton
Beloit
Eau Claire
Glendale
Green Bay
Kenosha
Menasha
Milwaukee (16)
Racine
West Allis

WYOMING (2)

Casper
Cheyenne



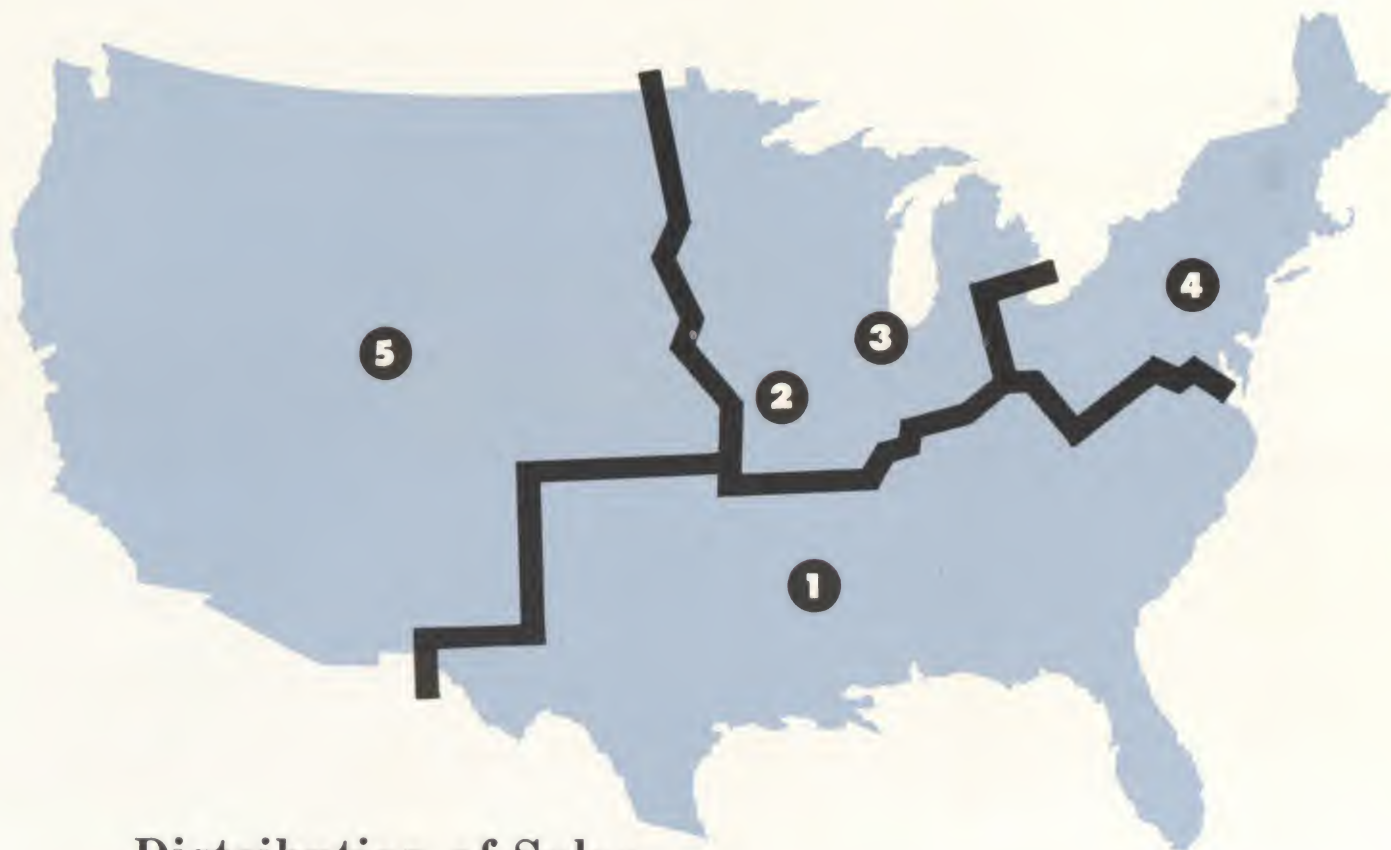
Sanborns

MEXICO

Mexico City (4)
Monterrey

“Walgreens”

As a shareowner, you'll be interested in our distribution of sales. 406 Walgreen Drug Stores, at key locations, serve communities across the nation. In addition, over 1800 independently-owned Walgreen Agency Drug Stores carry our name and our products into many areas not directly served by our stores. And our affiliate in Mexico, the celebrated *Sanborns*, gives international scope to our operations.

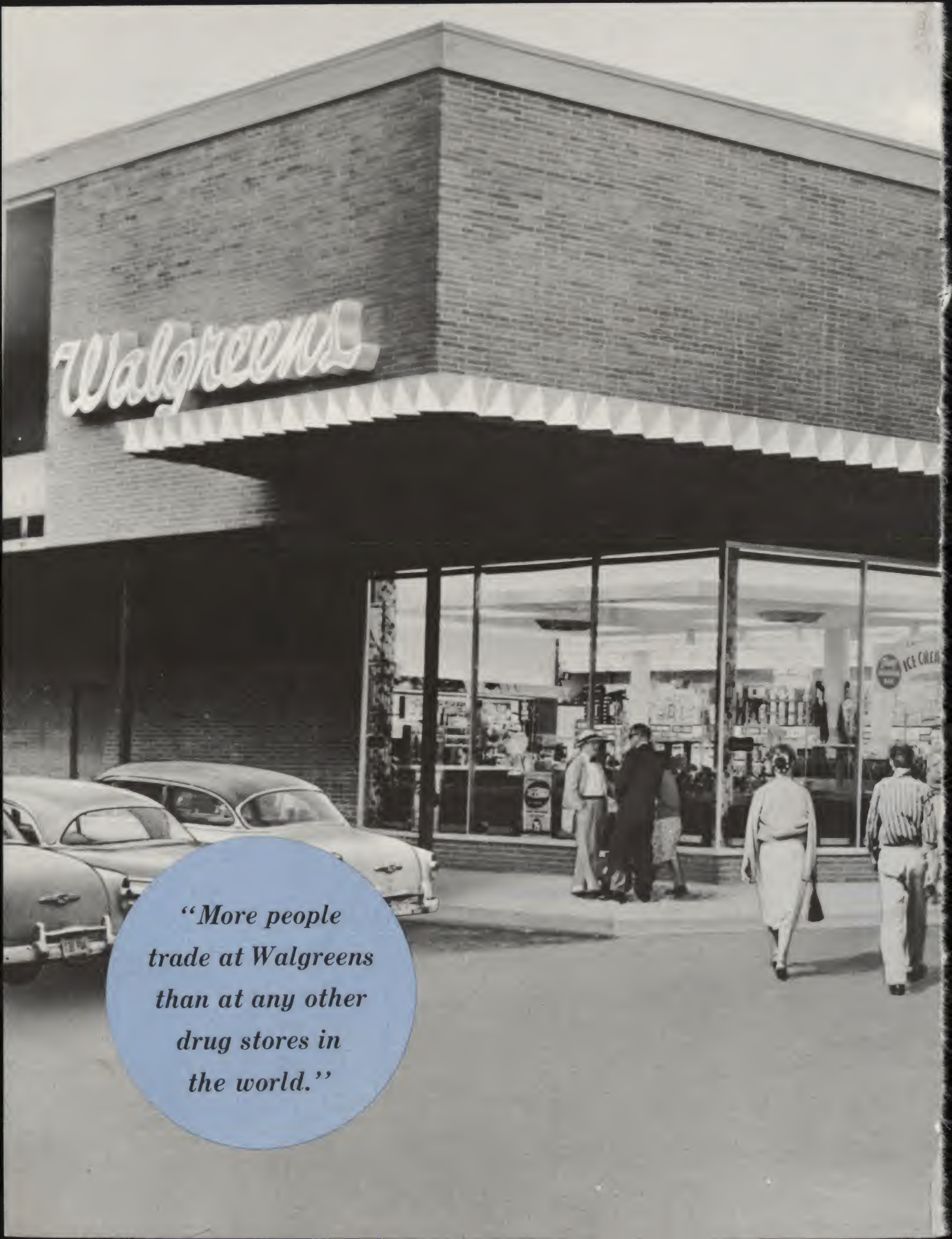


Distribution of Sales

- 1** SOUTHERN
\$78,055,669 : 30.0%
- 2** MIDWEST
(Chicago excluded)
\$76,557,107 : 29.5%
- 3** CHICAGO, ILL.
\$53,569,279 : 20.6%
- 4** EASTERN
\$26,984,029 : 10.4%
- 5** WESTERN
\$24,732,125 : 9.5%



... the Nation's Name for Drug Stores''



Walgreens

*“More people
trade at Walgreens
than at any other
drug stores in
the world.”*